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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

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CIA/OER /S-05983-74

CIA No. 8023
14 March 1974

[redacted]

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MEMORANDUM FOR: Mr. Dennis H. Wood
Council on International
Economic Policy

SUBJECT : Transmittal of Estimates on Demand for US Wheat and Corn Exports, 1973/74

[redacted]

1. In response to your request, tables showing the latest USDA and CIA estimates of foreign demand for US wheat and corn by country and region are attached. [redacted] 25X1

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[redacted] Since demand estimates for corn are our first, they should be considered preliminary. A brief summary of our principal findings also is attached.

2. Because of the possible interest of other components of the Washington economic community in this subject, this Office may send the attached material to other interested officials.

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3. Questions concerning this subject should be directed to [redacted]

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[redacted]
Acting Chief,
Industrial Nations Division
Office of Economic Research

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Attachments:
As stated.

[redacted]

On file Department of Agriculture release instructions apply.

SUBJECT: Transmittal of Estimates on Demand for US Wheat and Corn Exports, 1973/74

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ALTERNATIVE ESTIMATES OF EXPORT DEMAND FOR US WHEAT AND CORN, 1973/74

CENTRAL INTELLIGENCE AGENCY
Office of Economic Research
14 March 1974

[redacted]

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Alternative Estimates of Export Demand for US Wheat and Corn, 1973/74

Wheat

1. A comparison of USDA and CIA estimates of foreign demand for US wheat in FY1974 done since last September are as follows (in million metric tons):

	USDA	CIA
1 September 73*	29.9	36.3
3 December 73	31.3	34.9
7 January 74	32.0	34.1
12 March 74	32.7	33.9

CIA's March estimate of 33.9 million tons approximates that of last January while USDA's is up by 700,000 tons. Thus, the gap between the two estimates has been narrowed to 1.2 million tons. Our projection continues to be larger for every major region of the world, particularly the Western Hemisphere and Asia (see Table 1). However, the difference between the regional estimates is smaller than that indicated on the table. USDA, unlike CIA, includes wheat flour in only the world total and not in regional or country projections.

2. US shipments of wheat plus outstanding export sales (SOES) reported by brokers as of 24 February totalled nearly 32.8 million tons. This quantity slightly exceeds USDA's current projection of wheat exports for FY1974 and falls short of CIA's estimate by about one million tons. Grain brokers list another 2.7 million tons of wheat for export without destination. It is estimated that some but not all of this grain will be exported. Recent export offers of large quantities of US wheat by both US and foreign brokers suggest that some excess contracting occurred earlier as a hedge against a possible export embargo on wheat. With no firm contract in hand this wheat is now being released by brokers.

3. CIA's export projection indicates that the carry-over of old crop wheat on 1 July 1974 -- assuming USDA estimate of domestic usage holds -- will be 3.6 million tons

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Table 1

Estimated Demand for U.S. Wheat and Flour Exports
1973/74 a/

(In Thousand Metric Tons)

Destination	CIA 7 Jan '74	CIA 11 Mar '74	USDA b/	SOLS c/ by 24 Feb '74
Western Hemisphere:				
Mexico	920	750		
Brazil	1,300	1,510		
Chile	420	600		
Columbia	400	300		
Peru	600	500		
Venezuela	600	600		
Central America	375	375		
Others	950	1,145		
Sub-total	5,565	5,780	5,100	5,438
Europe:				
USSR	3,770	2,900	2,600	2,915
Eastern Europe	800	800	850	797
European Community	3,440	3,335	3,400	3,161
Belgium-Luxembourg	(270)	(220)		(212)
France	(200)	(200)		(86)
Italy	(800)	(610)		(609)
Netherlands	(1,100)	(1,225)		(1,225)
United Kingdom	(850)	(600)		(554)
West Germany	(480)	(475)		(475)
Other Western Europe	850	700	700	692
Sub-total	8,860	7,735	7,550	7,565
Asia:				
Japan	3,225	3,225	3,300	3,225
India	1,425	1,425	1,400	1,415
Taiwan	665	900	800	909
People's Republic of China	4,100	3,700	3,700	3,851
Korea, South	1,900	2,000		2,014
Iraq	500	500		550
Iran	900	1,000		656
Israel	420	410		409
Philippines	480	480		373
Bangladesh	700	590		554
Indonesia	600	600	6,200	
Pakistan	300	550		
South Vietnam	300	300		1,525
Turkey	170	225		
Other	565	710		
Sub-total	16,250	16,615	15,400	15,481
Africa:				
Algeria	1,500	1,500		1,239
Egypt	400	500		473
Morocco	500	600		643
Nigeria	400	600		668
Sudan	170	170		
Others	480	375		528
Sub-total	3,450	3,745	3,350	3,551
Total Wheat	34,125	33,875	31,400	32,035
Flour and products	d/	d/	1,250	739 e/
Total Wheat and Flour	34,125	33,875	32,650	32,774
Unspecified destination	--	--	--	2,626
Exports on brokers' accounts f/	--	--	--	96
Total Wheat (including unspecified destination)	--	--	--	35,496

a. Marketing Year, 1 July 1973 through 30 June 1974.
b. Statistical data shown were supplied by Grain and Feed Division, FAS on 12 March 1974.
c. Wheat shipments inspected for export, 1 July 1974 through 22 February 1974 plus outstanding export sales as of 24 February 1974 for the balance of FY1974. Data compiled from USDA, SRS, Grain Market News and from USDA, SRS, Exports, 8 March 1974.
d. Flour included with individual country's wheat import projection.
e. July 1974-January 1974 shipments plus outstanding export sales as of 24 February 1974.
f. Unsold wheat shipped abroad.

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(133 million bushels), the smallest carryover since 1947. This would also be 45 million bushels below that projected by USDA. Grain marketing experts differ over how low carry-over stocks can go -- ranging from 75 to 150 million bushels -- before seriously upsetting the orderly internal marketing of wheat. Nevertheless, most experts agree that if stocks fall below 150 million bushels, some local shortages are likely to occur prior to the new crop harvest. Consequently, the prompt marketing of the winter wheat crop harvested in late May by Southwest farmers will be more important than usual this year.

4. A number of developments over the past 6 weeks have helped to alleviate the export pressure on and lower domestic prices for US wheat. The most important of these was the agreement by the Soviets to defer deliveries on approximately one million tons of wheat until after 1 July 1974. Other contributing factors were lifting the US import embargo on wheat, purchases of Canadian wheat by US millers, an IWC report on favorable prospects for the 1974 wheat crop in the northern hemisphere, and continued assurances by US officials of no export embargo. Also, if the EC releases additional quantities of wheat for export during the next 2 months -- 500,000 tons was placed on export tenders last week -- it should weaken demand for US wheat exports.

5. There are several uncertainties which could still exert strong export pressure on the limited supplies of US wheat and drive prices higher before June. The most important of these would be:

Reports of excessive damage to the Soviet's winter wheat crop from winterkill;

A downturn in the currently favorable prospects for the 1974 wheat crop in the US and Canada;

A government of India decision to purchase relatively large quantities of wheat for immediate delivery; or

Middle Eastern purchases larger than now projected, largely for stock building.

Corn

6. A comparison of USDA and CIA estimates of foreign demand for US corn for the marketing year, October 1973 through September 1974 is:

USDA -- 31.3 million metric tons
CIA -- 32.7 million metric tons

While the difference of 1.4 million metric tons is significant, the basic difference in the approachs taken must be kept in mind. USDA makes its export estimates within the total context of the US domestic supply and uses of corn whereas the CIA estimates were derived independent of US export availability and disregarding any possible future price changes. Thus, the CIA estimates shown in Table 2 should be viewed as an indicator of the amount of export pressure on the total US corn supply under current economic conditions rather than a prediction of the final export level.

7. The only major difference on a regional basis between the USDA and CIA estimates of import demand is for Western Europe. CIA estimates for Western Europe are 1.5 million tons greater than USDA's. This is the largest single market for US corn and probably the most uncertain at this time. The uncertainties involve depressed prices on livestock and meat markets, general economic conditions, and the EC's wheat export policies. If economic growth in Europe is lower than expected, livestock prices decline further, or the EC retains exportable wheat for feed, European demand for corn imports would weaken. Other uncertainties are possible stockpiling and the substitution of more protein meals for corn and other feedgrains should relative prices change to favor such a shift.

8. While the USDA and CIA estimates for Asia are reasonably close, the distribution of imports among countries is not. While we cannot fully explain these differences, the transshipment of corn by Japan to other Asian countries is a possibility. [redacted]

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9. It is significant that export shipments plus outstanding sales (including outstanding sales to unknown destinations) shown in Table 2, totals 32.9 million tons of 25X1

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Table 2

Extimated Demand for U.S. Corn Exports, 1973/74a/

(In Thousand Metric Tons)

Destination	CIA	USDA b/	SOES c/ 24 Feb. 1974
Western Hemisphere:			
Mexico	700		671
Canada	1,200		1,407
Other	940		
Sub-total	2,840	2,300	2,078
Europe:			
USSR	3,715	3,750	3,712
Eastern Europe	1,150	1,000	838
East Germany	(700)		(411)
Poland	(250)		(427)
Other	(200)		
European Community	9,740	9,000	8,781
Italy	(2,250)		(2,102)
Netherlands	(3,000)		(3,741)
United Kingdom	(1,900)		(784)
West Germany	(1,600)		(2,056)
Other	(990)		(98)
Other Western Europe	4,150	3,500	3,357
Greece	(1,060)		(854)
Spain	(2,250)		(2,233)
Other	(840)		(270)
Sub-total	18,755	17,250	16,688
Asia:			
Japan	6,400	7,500	7,044
Taiwan	850	375	383
People's Republic of China	2,600	2,600	2,564
South Korea	500	690	644
Other	465		
Sub-total	10,813	11,165	10,655
Africa	300	200	165
Total corn	---	30,915	29,566
Products	d/	350	N.A.
Total corn and products	32,708	31,265	29,566
Unspecified destination	---	---	3,208
Exports on brokers' accounts e/	---	---	126
Total	---	---	32,900

a. Marketing year, 1 October 1973 through 30 September 1974.
b. Provided by FAS, USDA on 14 March 1974; numbers are approximate.
c. Corn shipments inspected for export 1 October 1973 through 22 February 1974 plus outstanding export sales as of 24 February 1974 for the balance of the marketing year. Data compiled from USDA, SRS, Grain Market News and from USDA, SRS, Exports, 8 March 1974.
d. Products included with individual countries' corn import estimates.
e. Unsold corn shipped abroad.

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corn. This quantity approximates CIA's estimate of total export demand and suggests that most of the unspecified destination corn listed by brokers is likely to be exported. If the CIA estimate of corn exports is accurate or if the reported sales by brokers are consummated, and assuming USDA's estimate of domestic corn usage is correct, US stocks of corn by 30 September 1974 could be drawn down to less than a five-week supply for domestic use.

10. One factor which should help to relieve the export pressure on US supplies later in the marketing year is the expected increase in the export availability of corn from other countries. South Africa, which exported almost no corn last year, is expected to export 1.3 million tons between now and September 1974. Argentina is expected to export as much as 5 million tons from now through September. Thailand's corn exports could be as high as 2 million tons in 1974, or 800,000 tons more than last year.